

## INCREASED ACTIVITY AND NEW PILLARS IN OPERATION

### Hagar's results for the 3<sup>rd</sup> quarter 2022/23

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The Consolidated Interim Financial Statements of Hagar plc. for the third quarter of 2022/23 were approved by the company's board of directors and the CEO at a board meeting on January 12<sup>th</sup>, 2023. The statements cover the period from March 1<sup>st</sup> to November 30<sup>th</sup>, 2022. The consolidated interim financial statements include the consolidated financial statements of the company and its subsidiaries and are prepared in accordance to international standards (IFRS). The statements have neither been reviewed nor audited by the company's auditors, PricewaterhouseCoopers Ltd.

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#### Key figures

- **Sales** Q3 amounted to 40,220 m.ISK (19.9% growth from Q3 2021/22). Sales 9M amounted to 121,832 m.ISK (21.3% growth from 9M 2021/22). [Q3 2021/22: 33,551 m.ISK, 9M 2021/22: 100,470 m.ISK.]
- **Margin** Q3 amounted to 7,301 m.ISK (18.2%) and 23,248 m.ISK (19.1%) for 9M. [Q3 2021/22: 6,916 m.ISK (20.6%), 9M 2021/22: 21,149 m.ISK (21.1%)]
- **Earnings before depreciation, interest, and taxes (EBITDA)** Q3 was 2,598 m.ISK or 6.5% of sales. EBITDA 9M was 9,635 m.ISK or 7.9% of sales. [Q3 2021/22: 2,535 m.ISK (7.6%), 9M 2021/22: 8,076 m.ISK (8.0%)]
- **Profit** Q3 amounted to 910 m.ISK or 2.3% of sales. Profit 9M amounted to 4,214 m.ISK or 3.5% of sales. [Q3 2021/22: 841 m.ISK (2.5%), 9M 2021/22: 3,277 m.ISK (3.3%)]
- **Basic earnings per share** Q3 was 0.82 ISK and 3.74 ISK for 9M. [Q3 2021/22: 0.73 ISK, 9M 2021/22: 2.84 ISK]. **Diluted earnings per share** Q3 was 0.82 ISK and 3.67 ISK for 9M. [Q3 2021/22: 0.73 ISK, 9M 2021/22: 2.82 ISK.]
- **Equity** amounted to 27,196 m.ISK at the end of the period and **equity ratio** 37.8%. [End of year 2021/22: 26,726 m.ISK and 41.0%]
- **Management's guidance** for the operating year 2022/23 assumes that EBITDA will be 10,200-10,700 m.ISK, excluding effects from the Klasi transactions and reimbursement from the fuel equalisation fund. Effects from one-off-items on the company's EBITDA are about 1.4 b.ISK.

#### Operational key points

- **Considerable sales growth (19.9%) in the quarter** compared to the same period last year and total profit grows by about 8.2%, mainly due to one-off-items.
- **Sold units in groceries in Q3 increases** by 7.0% between the years and **customers visits grow** by 15.0% compared to the last year. **Sold fuel litres** in Q3 decreases by about 2.6% - sale to bulk users unusually high in the same quarter last year.
- **Gross margin in ISK increases** by 5.6% between the years but the **margin ratio decreases** by 2,5%-points, mainly due to higher world fuel market price compared to previous year but **the margin ratio for groceries has also decreased**.
- **Continued bouncing** detected in supply chain and food production with considerable product price increase. **Considerable effort is made to counteract rising product prices** to customers and accordingly Hagar contributes to **keep the inflation at bay**.
- **One-off-items amounting to 451 m.ISK** booked with other operational income in Q3.
- **Effects of labour contracts** experienced in the quarter due to retroactive salaries to November 1<sup>st</sup>, the **payments booked during the period**.
- Hagar took over the **Eldum rétt** operations on November 1<sup>st</sup> and **the effects of the merger** are realised in the group's operations and finances from that time onwards.

**Finnur Oddsson, CEO:**

*In recent months, the turmoil in the world commodity and energy markets has resulted in unprecedented rise in consumers product prices and at the same time has had a major impact on the retail operational environment. Considering these circumstances, it can be said that Hagar's operations in the third quarter of the operating year 2022/23 have proceeded excellently. There is still a significant increase in sales compared to the same period last year, but revenue amounted to 40.2 b.ISK which is 20% growth. Performance improved slightly, mainly due to one-off-items, but EBITDA amounted to 2,598 m.ISK and profit to 910 m.ISK. In the first 9 months of the year, sales amounted to almost 122 b.ISK with an EBITDA ratio of 7.9%. We are satisfied with the company's operations so far this year, both the operational result under difficult conditions and the completion of important phases that will strengthen Hagar for the future.*

*As mentioned above, the quarter was affected by the ongoing turmoil in the raw material markets and rises and fluctuations in raw material prices have therefore been one of the most important issues for the company's management. There, the guiding principle has been to ensure products selection and to counter rising product prices in stores with economical purchases and by looking for increased efficiency in all operations.*

*If one looks at the operational sectors, Olís' income increased by 35% between the years, amounting to 14.3 b.ISK, and the performance improved. The improved performance can primarily be attributed to one-off-items realised during the quarter, but the basis lies in the advantages of changed operational priorities and the successful optimisation work of the last quarters. Fuel sales on the retail market increased, as did dry products sales, but the activity of bulk users decreased slightly as the activity of bulk users was remarkably high in the same quarter last year. The gross margin has also decreased slightly, both in ISK and as a percentage of sales, among other things due to unfavourable fluctuations in the world fuel prices. Modification of offered service and products of fuel stations is on schedule, and the simplified sales and supply plan for bulk users has proved successful.*

*Good growth was in the sale of daily products in Bónus and Hagkaup, exceeding 13%. It is apparent that rising supplies prices from wholesalers and manufacturers have led to higher product prices in the stores, which partially explains the revenue growth. However, it is pleasing that the number of sold units increased by 7% and the number of customers visits to the stores increased by 15%. This strong growth in grocery retail can largely be attributed to the fact that more customers are visiting Bónus, where longer opening hours, good accessibility and affordable product prices are well received. It is anticipated that this will continue, as it is beneficial and more important for many to make the most economical purchase of food products. The margin in ISK grew during the quarter in line with the increased sales, but the margin ratio in daily products has, on the other hand, fallen.*

*In accordance with the planned strategy, the structure of the Hagar group has undergone several changes in recent quarters, with the objective to respond to developments in the company's operational environment and at the same time to increase supports for the group's operations. Most of the factors in that development work are completed or proceeding on a good track now at the beginning of 2023. Eldum rétt has officially become a member of the Hagar's family, as a part of the response to changing consumption habits with healthy, simple, and time-saving solutions. Major development and property projects are well under way at Klasi, which will accelerate value growth and increase Hagar management's focus on core operations in the grocery and fuel sectors. Stórkaup was established, and is lifting off with a good start, to make even better use of Hagar's infrastructure and offer operating, healthcare, and food products to the rapidly expanding bulk user market. Hagar's digital tour has brought many benefits, including enabled Hagkaup to "expand" and serve customers throughout the country far better, with new online stores with cosmetics, toys, and selected specialty products. These changes now provide even more support for the operation of the Hagar group, and it is expected that they will bring operational benefits immediately in the next quarters.*

*The weakening of the ISK and the unprecedented price escalations of domestic and foreign supplies have inevitably led to higher product prices for necessities and food, inflation has therefore risen. Simultaneously the operational costs have increased considerably, both due to labour cost increases and general cost increases. In this light, we are adequately satisfied with the achieved results so far, this operating year. Hagar's position on the market is strong and the company is financially on solid footing, well equipped to deal with the unusual and challenging operating conditions existing today. Hagar's strength lies in its strong subsidiaries, with experienced employees in their service who work with determination towards the objective of ensuring product availability, cost-effective purchasing, and operations. Hagar's employees will continue to work towards the objective to enhance the interests of customers by making shopping as efficient as possible, but also comfortable and fun.*

## The Group's Consolidated Statement of Comprehensive Income

in ISK million	Q3 2022/23		Q3 2021/22		9M 2022/23		9M 2021/22	
	01.09-30.11	01.09-30.11	Change	%	01.03-30.11	01.03-30.11	Change	%
Sales	40.220	33.551	6.669	19,9%	121.832	100.470	21.362	21,3%
Cost of goods sold	(32.919)	(26.635)	(6.284)	23,6%	(98.584)	(79.321)	(19.263)	24,3%
<b>Gross profit</b>	<b>7.301</b>	<b>6.916</b>	<b>385</b>	<b>5,6%</b>	<b>23.248</b>	<b>21.149</b>	<b>2.099</b>	<b>9,9%</b>
<b>Gross profit %</b>	<b>18,2%</b>	<b>20,6%</b>	-	<b>-2,5%</b>	<b>19,1%</b>	<b>21,1%</b>	-	<b>-2,0%</b>
Other operating income	587	125	462	369,6%	936	354	582	164,4%
Profit from sale of assets	--	--	--	#DIV/0!	882	349	533	152,7%
Salaries and related expenses	(3.578)	(3.132)	(446)	14,2%	(10.459)	(9.564)	(895)	9,4%
Other operating expenses	(1.712)	(1.374)	(338)	24,6%	(4.972)	(4.212)	(760)	18,0%
<b>Profit from operating activities before depreciation and amortisation (EBITDA)</b>	<b>2.598</b>	<b>2.535</b>	<b>63</b>	<b>2,5%</b>	<b>9.635</b>	<b>8.076</b>	<b>1.559</b>	<b>19,3%</b>
<b>EBITDA %</b>	<b>6,5%</b>	<b>7,6%</b>	-	<b>-1,1%</b>	<b>7,9%</b>	<b>8,0%</b>	-	<b>-0,1%</b>
Depreciation and amortisation	(1.085)	(1.105)	20	-1,8%	(3.205)	(3.007)	(198)	6,6%
<b>Profit from operating activities (EBIT)</b>	<b>1.513</b>	<b>1.430</b>	<b>83</b>	<b>5,8%</b>	<b>6.430</b>	<b>5.069</b>	<b>1.361</b>	<b>26,8%</b>
Net finance expense	(414)	(373)	(41)	11,0%	(1.384)	(1.104)	(280)	25,4%
Effect of results of associates	34	23	11	47,8%	172	144	28	19,4%
<b>Profit before income tax</b>	<b>1.133</b>	<b>1.080</b>	<b>53</b>	<b>4,9%</b>	<b>5.218</b>	<b>4.109</b>	<b>1.109</b>	<b>27,0%</b>
Income tax	(223)	(239)	16	-6,7%	(1.004)	(832)	(172)	20,7%
<b>Comprehensive income for the period</b>	<b>910</b>	<b>841</b>	<b>69</b>	<b>8,2%</b>	<b>4.214</b>	<b>3.277</b>	<b>937</b>	<b>28,6%</b>
<b>Total comprehensive income for the period is attributable to:</b>								
Shareholders of Hagar hf.	910	841	69	8,2%	4.214	3.267	947	29,0%
Non-controlling interest	--	--	--	-	--	10	(10)	-
	<b>910</b>	<b>841</b>	<b>69</b>	<b>8,2%</b>	<b>4.214</b>	<b>3.277</b>	<b>937</b>	<b>28,6%</b>

### Key figures in Q3

Sales in Q3 grew by 19.9% between the years. Number of sold units in groceries rose by 7.0% and customers visits increased by 15.0%. Sold fuel litres by Olís in Q3 fell by 2.6% between the years.

Gross margin in Q3 in ISK increased by 5.6% between the years but margin ratio decreased from 20.6% to 18.2%, mainly due to rising world fuel market price compared to previous year but also lower margin in grocery sales.

Repayment from the government transport fuel equalisation fund amounting to 451 m.ISK is booked along with other operating income in the quarter.

Effects from labour agreements with retroactive salaries to November 1<sup>st</sup> was booked in the period, including precautionary entry due to incomplete labour agreements. The impact of the agreements is a little more than the average percentage rise that appear in the agreements.

EBITDA in Q3 was 2,598 m.ISK compared to 2.535 m.ISK the previous year. EBITDA-ratio was 6.5% but was 7.6% in the previous year. Excluding one-off-items the EBITDA was 2,147 m.ISK or 5.3% percentage points.

Total profit in Q3 amounted to 910 m.ISK and increased by 8.2% between the years.

### Comprehensive income in 9M 2022/23

Sales for the period amounted to 121,832 m.ISK, compared to 100,470 m.ISK the previous year. Sales growth between the years amounted to 21.3%. Sales growth in stores and warehouses

amounted to 9.6% and sales growth at Olís amounted to 45.0%.

The number of sold units in groceries grew by 4.9% and customers visits grew by 12.6%. Volume increase in sold fuel litres at Olís in 9M was 3.6%.

The Groups gross margin was 23,248 m.ISK, compared to 21,149 m.ISK the year before, or increase by 9.9%. The margin ratio decreases on the other hand and was 19.1% compared to 21.1% for the previous year.

One-off-items in the period amount to just over 1,4 b.ISK which have result from Hagar's transactions with Klasi (966 m.ISK) and repayment of the government transport fuel equalisation fee (451 m.ISK).

Salaries rise by 9.4% in the period, both due to extended activities at Bónus but also due to the effect of labour agreements. Other operating costs have increased by 18.0% during the period, mainly due to higher fuel prices and the inflation effects.

Earnings before financial items, depreciation, and taxes (EBITDA) amounted to 9,635 m.ISK, compared to 8,076 m.ISK in the previous year. The EBITDA ratio was 7.9%, compared to 8.0% in the previous year.

The total profit for the period amounted to 4,214 m.ISK, which is equivalent to 3.5% of the sales, while the total profit in the previous year was 3,277 m.ISK or 3.3% of the sales.

The EBITDA results, excluding one-off-items now and in the comparison year, have increased by 6.4% year-on-year and total profit increased by 1.1% between the years excluding one-off-items.

## The Group's Consolidated Financial Statement

in ISK million	30.11.2022	28.02.2022	Change	%
<b>Assets</b>				
Non-current assets	50.058	45.064	4.994	11,1%
Current assets	21.842	17.740	4.102	23,1%
Assets held for sale	--	2.388	(2.388)	-
<b>Total assets</b>	<b>71.900</b>	<b>65.192</b>	<b>6.708</b>	<b>10,3%</b>
<b>Equity and liabilities</b>				
Share capital	1.119	1.139	(20)	-1,8%
Other equity	26.077	25.587	490	1,9%
<b>Equity total</b>	<b>27.196</b>	<b>26.726</b>	<b>470</b>	<b>1,8%</b>
Non-current liabilities	22.419	20.950	1.469	7,0%
Current borrowings	2.593	451	2.142	474,9%
Other payables	19.692	17.065	2.627	15,4%
<b>Total liabilities</b>	<b>44.704</b>	<b>38.466</b>	<b>6.238</b>	<b>16,2%</b>
<b>Total equity and liabilities</b>	<b>71.900</b>	<b>65.192</b>	<b>6.708</b>	<b>10,3%</b>

### Financial key figures 30.11.2022

- The Group's total assets at end of the period amounted to 71,900 m.ISK and grew by 6,708 m.ISK from end of the year 2021/22.
- Non-current assets were 50,058 m.ISK and increased by 4.994 m.ISK from end of the year 2021/22. There, the majority is attributed to Hagar's share in Klasi, which is booked at the end of August 2022, and the increase in intangible assets due to Hagar's purchase of Eldum rétt in November.
- Current assets were 21,842 m.ISK and increased by 1,714 m.ISK from the end of the year 2021/22, including properties for sale in the previous year.
- Inventory at the end of November was 14,258 m.ISK and inventory turnover rate of 10.1. Inventory increased by 3,482 m.ISK from the end of Q3 2021/22, but the increase in inventory can almost exclusively be attributed to higher fuel inventories, which is caused by an extensive increase in fuel prices between years. The inventory turnover rate last year was 10.2. Inventories increased by 3,551 m.ISK from the end of the year 2021/22, for the same reason as explained above in addition to higher stockpiling in food and specialty products due to the Christmas shopping.
- Accounts receivable and other short-term receivables are almost at par during the period, or an increase of 16 m.ISK from the end of the year. The credit period for trade receivables was 10.4 days compared to 10.2 days in the previous year.
- The current ratio was 0.98 and the liquidity ratio was 0.34 at the end of the third quarter. Access to short-term financing in the form of credit lines amounting to 6.2 b.ISK at a commercial bank is secured
- Equity at the end of the period was 27,196 m.ISK and equity ratio of 37.8%. Return on equity was 18.6%. The equity ratio at the end of the last operating year was 41.0% and the return on equity was 15.9%. The company had 13.9 million own shares at the end of the period.
- The group's total liabilities at the end of the third quarter were 44,704 m.ISK of which interest-bearing debt were 14,448 m.ISK. and leasing liabilities 9,233 m.ISK. Net interest-bearing debt, including leasing liabilities, at the end of the period was 22,363 m.ISK or 1.9 x 12 months EBITDA. Net interest-bearing debt, excluding leasing liabilities, was 1.1 x 12 month EBITDA.

## The Group's Consolidated Cash Flow Statement

in ISK million	Q3 2022/23 01.09-30.11	Q3 2021/22 01.09-30.11	Change	%	9M 2022/23 01.03-30.11	9M 2021/22 01.03-30.11	Change	%
Net cash provided by operating activities	1.808	2.478	(670)	-27,0%	6.563	7.035	(472)	-6,7%
Net cash used in investing activities	(1.895)	(367)	(1.528)	416,3%	(2.752)	(1.221)	(1.531)	125,4%
Net cash used in financing activities	(690)	(1.006)	316	-31,4%	(3.276)	(4.146)	870	-21,0%
<b>Net increase in cash and cash equivalents</b>	<b>(777)</b>	<b>1.105</b>	<b>(1.882)</b>	<b>-170,3%</b>	<b>535</b>	<b>1.668</b>	<b>(1.133)</b>	<b>-67,9%</b>
Cash and cash equivalents at beginning of the period	2.095	951	1.144	120,3%	783	388	395	101,8%
<b>Cash and cash equivalents at the end of the period</b>	<b>1.318</b>	<b>2.056</b>	<b>(738)</b>	<b>-35,9%</b>	<b>1.318</b>	<b>2.056</b>	<b>(738)</b>	<b>-35,9%</b>

### Cash flow the first nine months of the operating year

- Net cash provided by operating activities in the first nine months of 2022/23 amounted to 6,563 m.ISK, compared to 7,035 m.ISK in the previous year.
- Net cash used in investing activities in the first nine months of the year were 2,752 m.ISK, compared to 1,221 m.ISK in the previous year. Investment in operating assets amounted to 1,455 m.ISK during the period, investment in intangible assets 386 m.ISK and investment in a subsidiary amounted to 1,305 m.ISK.
- Net cash used in financing activities for the period were 3,276 m.ISK, compared to 4,146 m.ISK in the previous year. Buy-back of own shares in the first nine months of the year amounted to 1,500 m.ISK and dividend payment in June 2022 amounted to 2,265 m.ISK.
- Cash at the end of the period amounted to 1,318 m.ISK in comparison to 2,056 m.ISK at the end of the same period last year.

### Status and future prospects

The group's operations have been progressing to a more normal state compared to the last two operating years, but the effects of the COVID-19 pandemic have been fading. Travel by nationals abroad has increased and the number of foreign tourists in Iceland has grown, which affects demand in the markets for daily groceries and fuel. However, there are still disruptions in the food production and in the supply chain, both due to the remainders of the pandemic and not the least due to the war in Ukraine. Both have led to a significant increase in supply prices, inflation has increased, and interest rates have risen. Hagar will, as before, focus on counteracting rising product prices to consumers and thus contribute to securing its customers products and services at the most economical prices and at the same time putting weight on the scales to hold back inflation.

In the third quarter, the impact of the labour agreements signed in December was experienced, but due to the retroactive effect to November 1, 2022, the costs were recognized during the period, as well as a precautionary entry due to incomplete labour agreements. The impact of the company's labour agreements will probably be little higher than the average percentage increases that are negotiated in the agreements, since quite a large part of the staff receive wages by labour rates, but the increase in the rates amounts to between 10-13%.

The management's guidance assumes that the operating profit before depreciation (EBITDA) of the Hagar Group for the operating year 2022/23 will be in the range of 10,200-10,700 m.ISK, if the effects of one-off-items related to the sale of assets to Klasi and the repayment of the government transport fuel equalisation fee are taken into account. The impact of one-off-items on the group's EBITDA in the second quarter was about 966 m.ISK due to the sale of assets to Klasi and in the third quarter 451 m.ISK due to the refund of the government transport fuel equalisation fee.

The financial position of the Hagar Group is strong and the company is well equipped to deal with challenging conditions in the Icelandic economy. The group's financing is mostly secured for the long term, and access to short-term financing in the form of credit lines in the amount of 4.5 b.ISK and USD 12.5 million is secured.

On October 17<sup>th</sup>, 2022, the Competition Authority approved the purchase of Hagar of all share capital in Eldum rétt Ltd. Handing over and purchasing payment took place last November 1<sup>st</sup>. The impact of the purchase on Hagar's income statement and balance sheet will be apparent as of November 1<sup>st</sup>, 2022.

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## Shares and shareholders

- Hagar's market value at the end of the period amounted to 83.8 b.ISK and the closing price on November 30<sup>th</sup> 2022 was 74.0 ISK /share.
- Hagar's registered share capital at the end of the period amounted to 1,133 m.ISK. The company had 13.9 million own shares at the end of the period.
- On June 1<sup>st</sup>, 2022, the Annual General Meeting agreed to reduce the company's share capital by annulment of its own shares with a nominal value of 21.6 m.ISK. The reduction was implemented on June 23<sup>rd</sup>, 2022, and thus reducing Hagar's share capital from 1,154 m.ISK nominal value to 1,133 m.ISK nominal value.
- The Annual General Meeting also agreed that dividend would be paid to shareholders for the past year, amounting to 2.0 ISK per share or 2,265 m.ISK. The dividend was paid on June 15<sup>th</sup>, 2022.
- Based on the approval of the Annual General Meeting on June 1<sup>st</sup>, 2022, Hagar's board of directors has launched two buy-back programs during the period with the aim of reducing the company's issued share capital. The buy-back programs have been completed, but their amount amounted to 1,000 m.ISK or 13.9 million shares. The board has now approved further buy-back in the amount of 500 m.ISK but more details will be announced about their implementation in the coming days.
- Shareholders at the beginning of the operating year were 986 and 1,034 at the end of November. The company's 10 largest shareholders had a 76.01% of shares in the company at the end of November.

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## Online presentation Friday January 13<sup>th</sup>, 2022

An online presentation for market participants and shareholders will be held on Friday, January 13<sup>th</sup> at 8:30 am. The meeting will be cast online, where Finnur Oddsson, CEO, and Guðrún Eva Gunnarsdóttir, CFO, will present the company's operations and results as well as answer questions.

Questions related to the results will be accepted during the meeting by e-mail address [fjarfestakynning@hagar.is](mailto:fjarfestakynning@hagar.is) and will be answered as possible at the end of the meeting.

The meeting will be streamed and one can register for the meeting here: <https://www.hagar.is/skraning>.

Presentation materials will be available on Hagar's website, [www.hagar.is](http://www.hagar.is), at the commencement of the meeting.

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## Financial calendar 2022/23

Financial information will be published after the market closes.

Accounting period	Weekday	Publication day
Q4 - March 1 <sup>st</sup> to February 28 <sup>th</sup> .	Thursday	April 27 <sup>th</sup> 2023
Annual General Meeting 2023	Thursday	June 1 <sup>st</sup> 2023

Press release  
12<sup>th</sup> January 2023

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For further information, contact Finnur Oddsson, CEO ([fo@hagar.is](mailto:fo@hagar.is)), and Guðrún Eva Gunnarsdóttir, CFO ([geg@hagar.is](mailto:geg@hagar.is)), by phone 530-5500 or by email.

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This press release is translated from the Icelandic version which was published on January 12th, 2023. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.

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